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OCA86-0321
3 February 1986

MEMORANDUM FOR: Director, Office of Personnel
Special Assistant, DDA
Chief, Administrative Law Division, OGC

FROM: STAT
Legislation Division
Office of Congressional Affairs

SUBJECT: Exemption of Federal Retirement Cost of
Living Allowances (COLA) from Gramm-Rudman
Sequestration Procedures

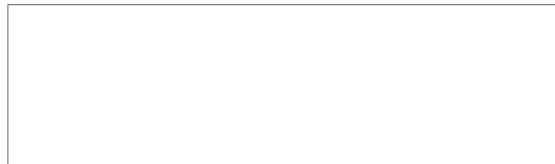
1. The Chairman of the House Government Operations Committee has requested in the attached letter (Tab A) that the Director provide his Committee with the Agency's views on H.R. 4025, a bill that would exempt federal retirement cost of living allowances from the Gramm-Rudman sequestration procedures. I have also attached for your review at Tab B a copy of H.R. 4025, and at Tab C pertinent portions of the Balanced Budget and Emergency Deficit Control Act of 1985, commonly referred to as Gramm-Rudman.

2. As you may know, Gramm-Rudman makes cost of living allowances otherwise payable to participants in various federal retirement systems subject to the sequestration procedures of Gramm-Rudman. The sequestration order is the mechanism by which the President can reduce the budget deficit by cancelling the authority to spend money previously authorized. Under section 257 of Gramm-Rudman, cost of living allowances for participants in the Civil Service Retirement System or CIARDS are considered "automatic spending increases." Subsection 252 (a)(6)(C) of Gramm-Rudman provides that automatic spending increases shall be suspended when the President issues his sequestration order. If the sequestration order provides that the automatic spending increase be reduced to zero, then the increase previously suspended shall be cancelled.

3. H.R. 4025 would amend Gramm-Rudman so that the cost of living allowances for various retirement systems (including Civil Service Retirement and Disability System and CIARDS) would not be considered "automatic spending increases" subject to the sequestration process. H.R. 4025 is not the only bill on this subject. H.R. 4017 (copy with accompanying floor statement attached at Tab D) and H.R. 4057 (not yet printed) seek to do generally the same thing. At present, it is not clear whether the Congress will act on any of these bills. Developments will likely turn on larger issues related to Gramm-Rudman.

4. The Agency's final response to Chairman Brooks will have to be cleared through the Office of Management and Budget (OMB). Given the tremendous budget constraints imposed by Gramm-Rudman on the Administration, it is not likely that OMB would support legislation allowing for a cost of living allowance for participants in various federal retirement systems or "clear" a views letter which supports such legislation.

5. We would appreciate receiving your comments by 7 February 1986 on H.R. 4025 so that we can prepare an appropriate response to Chairman Brooks. If you have any questions regarding this matter, please do not hesitate to contact me at ext. 6126.



Attachments as
stated

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NINETEENTH CONGRESS
Congress of the United StatesForm
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House of Representatives**COMMITTEE ON GOVERNMENT OPERATIONS**

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WASHINGTON, DC 20515

January 27, 1986

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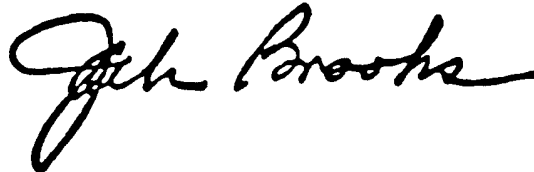
86- 0386X

The Honorable William J. Casey
Director
Central Intelligence Agency
Washington, D.C. 20505

The committee herewith submits to you the enclosed
bill, H.R. 4025, upon which the committee
would appreciate a prompt report, together with such
comment as you may desire to make.

Will you kindly transmit your reply in triplicate.

Respectfully,



Chairman.

Enclosure.

99TH CONGRESS
2D SESSION

H. R. 4025

To amend part C of the Balanced Budget and Emergency Deficit Control Act of 1985 to provide that cost-of-living increases in benefits under the civil service, military, and Postal Service retirement and disability programs shall be exempt from sequestration orders thereunder.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 22, 1986

Mr. GUTMAN (R-N.J.) introduced the bill; Mr. HOVER and Mr. BOWCHER (R-N.J.) acted as cosponsors.

A BILL

To amend part C of the Balanced Budget and Emergency Deficit Control Act of 1985 to provide that cost-of-living increases in benefits under the civil service, military, and Postal Service retirement and disability programs shall be exempt from reduction pursuant to sequestration orders thereunder.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. EXEMPTION FROM REDUCTION.

4 (a) IN GENERAL.—Section 255 of the Balanced Budget
5 and Emergency Deficit Control Act of 1985 is amended by

1 redesignating subsection (i) as subsection (j), and by inserting
2 after subsection (h) the following new subsection:

3 “(i) **FEDERAL RETIREMENT AND DISABILITY PRO-**
4 **GRAMS.**—Increases in benefits payable under the following
5 programs—

6 “Central Intelligence Agency retirement and dis-
7 ability system fund (56-3400-0-1-054);

8 “Civil service retirement and disability fund (24-
9 8135-0-7-602);

10 “Comptrollers general retirement system (05-
11 0107-0-1-801);

12 “Foreign service retirement and disability fund
13 (19-8186-0-7-602);

14 “Judicial survivors’ annuities fund (10-8110-0-
15 7-602);

16 “Military retirement fund (97-8097-0-7-602);

17 “National Oceanic and Atmospheric Administra-
18 tion retirement (13-1450-0-1-306);

19 “Railroad retirement tier II (60-8011-0-7-601);

20 “Retired pay, Coast Guard (69-0241-0-1-403);

21 “Retirement pay and medical benefits for commis-
22 sioned officers, Public Health Service (75-0379-0-1-
23 551);

24 “Special benefits, Federal Employees’ Compensa-
25 tion Act (16-1521-0-1-600); and

1 “Tax Court judges survivors annuity fund (23-
2 8115-0-7-602);
3 including benefits payable by reason of section 1005(d) of
4 title 39, United States Code, shall not be considered ‘auto-
5 matic spending increases’ for purposes of this title; and no
6 reduction in any such increase or in any of the benefits in-
7 volved shall be made under any order issued under this
8 part.”.

9 **(b) CONFORMING AMENDMENTS.—**

10 (1) Section 255(j) of such Act (as redesignated by
11 subsection (a) of this section) is amended by striking
12 out “(g) and (h)” and inserting in lieu thereof “(h), (g),
13 (h), and (i)”.

14 (2) The list of programs contained in subpara-
15 graph (A) of section 257(1) of such Act is amended by
16 striking out the items relating to the following pro-
17 grams:

18 “Central Intelligence Agency retirement and
19 disability system fund (56-3400-0-1-054).

20 “Civil service retirement and disability fund
21 (24-8135-0-7-602).

22 “Comptrollers general retirement system
23 (05-0107-0-1-801).

24 “Foreign service retirement and disability
25 fund (19-8186-0-7-602);

1 "Judicial survivors' annuities fund (10-
2 8110-0-7-602);

3 "Military retirement fund (97-8097-0-7-
4 602);

5 "National Oceanic and Atmospheric Admin-
6 istration retirement (13-1450-0-1-506);

7 "Railroad retirement tier II (60-8011-0-7-
8 601);

9 "Retired pay, Coast Guard (69-0241-0-1-
10 602);

11 "Retirement pay and medical benefits for
12 commissioned officers, Public Health Service (75-
13 379-0-1-551);

14 "Special benefits, Federal Employees' Com-
15 pensation Act (16-1521-0-1-600); and

16 "Tax Court judges survivors annuity fund
17 (23-8115-0-7-602).

18 SEC. 2. EFFECTIVE DATE.

19 The amendments made by section 1 shall be effective as
20 if they had been included in part C of the Balanced
21 Budget and Emergency Deficit Control Act of 1985 at the
22 time of enactment.

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Upon receipt in the Senate and the House of Representatives, the message (and any accompanying proposals made under subsection (c)) shall be referred to all committees with jurisdiction over programs, projects, and activities affected by the order.

§ 252(a) (6) EFFECTIVE DATE OF INITIAL ORDER.—

(A) FISCAL YEAR 1986.—The order issued by the President under paragraph (1) with respect to the fiscal year 1986 shall be effective as of March 1, 1986.

(B) FISCAL YEARS 1987-1991.—The order issued by the President under paragraph (1) with respect to the fiscal year 1987 or any subsequent fiscal year shall be effective as of October 1 of such fiscal year (and the President shall withhold from obligation as provided in paragraph (4), pending the issuance of his final order under subsection (b), any amounts that are to be sequestered or reduced under such order).

(C) TREATMENT OF AUTOMATIC SPENDING INCREASES.—

(i) FISCAL YEAR 1986.—Notwithstanding any other provision of law, any automatic spending increase that would (but for this clause) be first paid during the period beginning with the date of the enactment of this joint resolution and ending with the effective date of an order issued by the President under paragraph (1) for the fiscal year 1986 shall be suspended until such order becomes effective, and the amounts that would otherwise be expended during such period with respect to such increases shall be withheld. If such order provides that automatic spending increases shall be reduced to zero during such fiscal year, the increases suspended pursuant to the preceding sentence and any legal rights thereto shall be permanently cancelled. If such order provides for the payment of automatic spending increases during such fiscal year in amounts that are less than would have been paid but for such order, or provides for the payment of the full amount of such increases, the increases suspended pursuant to such sentence shall be restored to the extent necessary to pay such reduced or full increases, and lump-sum payments in the amounts necessary to pay such reduced or full increases shall be made, for the period for which such increases were suspended pursuant to this clause.

(ii) FISCAL YEARS 1987-1991.—Notwithstanding any other provision of law, any automatic spending increase that would (but for this clause) be first paid during the period beginning with the first day of such fiscal year and ending with the date on which a final order is issued pursuant to subsection (b) shall be suspended until such final order becomes effective, and the amounts that would otherwise be expended during such period with respect to such increases shall be withheld. If such final order provides that automatic spending increases shall be reduced to zero during such fiscal year, the increases suspended pursuant to the preceding sentence and any legal rights thereto shall be permanently cancelled. If such final order provides for the payment of automatic spending increases

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during such fiscal year in amounts that are less than would have been paid but for such final order, or provides for the payment of the full amount of such increases, the increases suspended pursuant to such sentence shall be restored to the extent necessary to pay such reduced or full increases, and lump-sum payments in the amounts necessary to pay such reduced or full increases shall be made, for the period for which such increases were suspended pursuant to this clause.

(iii) PROHIBITION AGAINST RECOUPMENT.—Notwithstanding clauses (i) and (ii), if an amount required by either such clause to be withheld is paid, no recoupment shall be made against an individual to whom payment was made.

(iv) EFFECT OF LUMP-SUM PAYMENTS ON NEEDS-RELATED PROGRAMS.—Lump-sum payments made under the last sentence of clause (i) or clause (ii) shall not be considered as income or resources or otherwise taken into account in determining the eligibility of any individual for aid, assistance, or benefits under any Federal or federally-assisted program which conditions such eligibility to any extent upon the income or resources of such individual or his or her family or household, or in determining the amount or duration of such aid, assistance, or benefits.

(D) SPECIAL RULES FOR FISCAL YEAR 1986.—(i) For purposes of applying this section and section 251 with respect to the fiscal year 1986—

(I) the order issued by the President under paragraph (1) of this subsection shall be considered the final order of the President under this section; and

(II) the Committees on Appropriations of the House of Representatives and the Senate may, after consultation with each other, define the term "program, project, and activity", and report to their respective Houses, with respect to matters within their jurisdiction, and the order issued by the President shall sequester funds in accordance with such definition.

(ii) If the Comptroller General declares in the report issued under section 251(b) for fiscal year 1986 that as a result of laws enacted and regulations promulgated after the date of the enactment of this joint resolution and prior to the issuance of such report the excess deficit for the fiscal year (adjusted in accordance with section 251(a)(3)(A)(ii)) has been eliminated, the order issued under this subsection for the fiscal year shall so state (and shall make available for obligation and expenditure any amounts withheld pursuant to subparagraph (C)(i) of this paragraph).

(iii) The order issued by the President under paragraph (1) with respect to fiscal year 1986 shall be modified before the effective date for such order prescribed under subparagraph (A) to include in the order the changes in budget authority and unobligated balances, and related changes in outlay reductions, authorized for such fiscal year under section 251(d)(3)(D)(ii).

(b) ISSUANCE OF FINAL ORDER.—

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Child nutrition (12-3539-0-1-605);
 Food stamp programs (12-3505-0-1-605 and 12-3550-0-1-605);
 Grants to States for Medicaid (75-0512-0-1-551);
 Supplemental Security Income Program (75-0406-0-1-609);
 and
 Women, infants, and children program (12-3510-0-1-605).

(i) IDENTIFICATION OF PROGRAMS.—For purposes of subsections (g) and (h), programs are identified by the designated budget account identification code numbers set forth in the Budget of the United States Government, 1986—Appendix.

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SEC. 256. EXCEPTIONS, LIMITATIONS, AND SPECIAL RULES.

(a) EFFECT OF REDUCTIONS AND SEQUESTRATIONS.—

(1) REDUCTIONS IN AUTOMATIC SPENDING INCREASES.—Notwithstanding any other provision of law, any change in the Consumer Price Index or any other index measuring costs, prices, or wages (or in any component of any such index), under a program listed in section 257(1), that is not taken into account for purposes of determining the amount of an automatic spending increase (if any) under such program for a fiscal year for which an order is issued under section 252 shall not be taken into account for purposes of determining any automatic spending increase during any fiscal year thereafter.

(2) SEQUESTRATIONS.—Any amount of new budget authority, unobligated balances, obligated balances, new loan guarantee commitments, new direct loan obligations, spending authority (as defined in section 401(c)(2) of the Congressional Budget Act of 1974), or obligation limitations which is sequestered or reduced pursuant to an order issued under section 252 is permanently cancelled, with the exception of amounts sequestered in special or trust funds, which shall remain in such funds and be available in accordance with and to the extent permitted by law, including the provisions of this Act.

(b) TREATMENT OF FEDERAL ADMINISTRATIVE EXPENSES.—

(1) Notwithstanding any other provision of this title, administrative expenses incurred by the departments and agencies, including independent agencies, of the Federal Government in connection with any program, project, activity, or account shall be subject to reduction pursuant to an order issued under section 252, without regard to any exemption, exception, limitation, or special rule which is otherwise applicable with respect to such program, project, activity, or account under this part.

(2) Notwithstanding any other provision of law, administrative expenses of any program, project, activity, or account which is self-supporting and does not receive appropriations shall be subject to reduction under a sequester order, unless specifically exempted in this joint resolution.

(3) Payments made by the Federal Government to reimburse or match administrative costs incurred by a State or political subdivision under or in connection with any program, project, activity, or account shall not be considered administrative expenses of the Federal Government for purposes of this section, and shall be subject to reduction or sequestration under this part to the extent (and only to the extent) that other payments made by the Federal Government under or in connection with that program, project, activity, or account are subject to such

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tracts in major functional category 050 which exist at the time the order involved is issued under section 252.

SEC. 257. DEFINITIONS.

For purposes of this title:

(1) The term "automatic spending increase" (except as otherwise provided in sections 255 and 256) means—

(A) increases in budget outlays due to changes in indexes in the following Federal programs:

Black lung benefits (20-8144-0-7-601);
 Central Intelligence Agency retirement and disability system fund (56-3400-0-1-054);
 Civil service retirement and disability fund (24-8135-0-7-602);
 Comptrollers general retirement system (05-0107-0-1-801);
 Foreign service retirement and disability fund (19-8186-0-7-602);
 Judicial survivors' annuities fund (10-8110-0-7-602);
 Longshoremen's and harborworkers' compensation benefits (16-9971-0-7-601);
 Military retirement fund (97-8097-0-7-602);
 National Oceanic and Atmospheric Administration retirement (13-1450-0-1-306);
 Pensions for former Presidents (47-0105-0-1-802);
 Railroad retirement tier II (60-8011-0-7-601);
 Retired pay, Coast Guard (69-0241-0-1-403);
 Retirement pay and medical benefits for commissioned officers, Public Health Service (75-0379-0-1-551);
 Special benefits, Federal Employees' Compensation Act (16-1521-0-1-600);
 Special benefits for disabled coal miners (75-0409-0-1-601); and
 Tax Court judges survivors annuity fund (23-8115-0-7-602); and

(B) increases in budget outlays due to changes in indexes in the following Federal programs:

National Wool Act (12-4336-0-3-351);
 Special milk program (12-3502-0-1-605); and
 Vocational rehabilitation (91-0301-0-1-506).

For purposes of the preceding provisions of this paragraph, programs are identified by the designated budget account identification code numbers set forth in the Budget of the United States Government, 1986—Appendix.

(2) The terms "budget outlays" and "budget authority" have the meaning given to such terms in sections 3(1) and 3(2), respectively, of the Congressional Budget and Impoundment Control Act of 1974.

(3) The term "concurrent resolution on the budget" has the meaning given to such term in section 3(4) of the Congressional Budget and Impoundment Control Act of 1974.

(4) The term "deficit" has the meaning given to such term in section 3(6) of the Congressional Budget and Impoundment Control Act of 1974.

(5) The term "maximum deficit amount", with respect to any fiscal year, means the maximum deficit amount for such fiscal

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January 21, 1986

CONGRESSIONAL RECORD — HOUSE

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terms of meeting the requirements that Gramm-Rudman has imposed.

One other thing that I think we ought to be aware of, and that is that we are going to have to look bill-by-bill, program-by-program, as things come on this floor as to whether or not they fit with the law that we have now imposed upon ourselves. I think that we should have an enforcement policy. I think that the Members will find that there will be an enforcement policy in effect on the House floor, that as we get an authorization bill out here, as we get appropriation bills out here, that we are going to examine each one of them and find out whether or not they comply with the goal of meeting a balanced budget.

Should we be enacting a new spending programs at a time when we are trying to balance the budget? Should we be raising the levels of spending in programs when we are trying to balance the budget? Those are questions that need to be asked on this floor day-after-day, on bill-after-bill, on program-after-program. I think that the Members ought to be required to vote along the way on some of that when what they are proposing is a change.

We need to balance the budget; we need to start doing it with everything we do in the House.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida [Mr. MICA] is recognized for 5 minutes.

[Mr. MICA addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

TRIBUTE TO ED POLEN

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois [Mr. ANNUNZIO] is recognized for 5 minutes.

Mr. ANNUNZIO. Mr. Speaker, I take this opportunity to pay tribute to Mr. Edward P. "Penn" Polen, of Ashburn, VA, who passed away on December 21, 1985. This came as a shock to me, and to Mr. Polen's many friends among both Members and staff of the House. Since his death occurred during the recess period, I know that no everyone in the Hill community is aware of his sudden passing.

Ed, as he was known to his friends and associates, was a longtime employee of the Office of the Clerk—42 years and 1 month, to be exact. He was a tireless worker and one of the most loyal staff members in the House of Representatives. He was highly respected by many in this Chamber whom he has assisted over the years. At 60 years of age, Ed Polen was assistant chief of the property supply and repair service when he died suddenly of a heart attack last month at Loudoun Memorial Hospital.

Ed's tenure in the House and in the Office of the Clerk began on November 15, 1943, when he was hired by then Clerk, the Honorable South Trimble, to work as a helper in the Property Supply Office. Since that date, Ed Polen served in the same office in a number of positions ranging from helper to assistant finisher, to assistant upholsterer, to upholsterer,

to assistant chief. He had been that office's assistant chief since September 1967. In every position throughout Ed's long career, he was consistently one of the most dedicated of all our employees, constantly devoting all of his energy to further the mission of the Clerk's Office and the interests of the House.

Ed was an organizer of the Congressional Federal Credit Union and received a Distinguished Service Award from the Doorman's Society of the House of Representatives in 1977. In 1980, he received an award for "Distinguished Service to the Congress of the United States, Its Members and Their Staffs." In addition, he received many letters of thanks and commendation from Members of Congress.

Working as he had under five different Clerks: Messrs. South Trimble, Ralph Roberts, W. Pat Jennings, Ted Henshaw, and Benjamin J. Guthrie, the Office of the Clerk and the House had grown to depend on Ed's wealth of knowledge and expertise. His familiarity with property management, his historical perspective, and his downright good judgment were invaluable assets to this institution.

Ed was a lifelong Ashburn resident, a dairy farmer, and active in Loudoun County civic, community, and church work. A devoted father and husband, Ed is survived by his wife, Barbara C. Polen; daughters, Debra P. Campbell and Dale P. Myers; brothers, Clayton and Robert Polen, and three grandchildren, Frances Campbell and John and Sarah Myers. Our prayers, sympathy, and love go out to this family and friends at this time of sorrow.

LEGISLATION INTRODUCED TO CORRECT SERIOUS FLAW IN GRAMM - RUDMAN - HOLLINGS BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985

The SPEAKER pro tempore (Mr. MAZZOLI). Under a previous order of the House, the gentleman from Florida [Mr. HUTTO] is recognized for 5 minutes.

Mr. HUTTO. Mr. Speaker, I am introducing today on behalf of Mr. PARRIS and myself a bill that will help correct a serious flaw in the Gramm-Rudman-Hollings Balanced Budget and Emergency Deficit Control Act of 1985. My bill will amend the act to except from the definition of automatic spending increase those portions of certain Federal retirement and disability programs relating to lower pay categories.

Basically, my amendment would provide a cost-of-living adjustment [COLA] for the first \$12,000 of a recipient's retirement and pension pay. This would eliminate an inequity against our military and civil service retirees and Survivor Benefit Program recipients by exempting from the Gramm-Rudman cuts the first \$12,000 of each participant's benefits. This would effectively restore COLA's for those in low-paying categories meaning those receiving less than \$12,000 a year in retirement pay/pensions. The \$12,000 would also be increased by the

percent change in the Consumer Price Index for each succeeding year.

While I was 1 of 271 House Members that voted for the Gramm-Rudman bill, I did so not because I thought it was the best way, but only because: First, our national debt is over \$2 trillion and this debt is costing us \$137.4 billion a year just in interest—that's 17.4 cents out of every dollar of revenue Americans contribute to the Federal Government—second, my constituents continually ask me to do something about this deficit; and third, because it is our Nation's most pressing problem and one of my greatest concerns.

However, the conferees, in drafting the Gramm-Rudman bill for our consideration, must have reasoned that Social Security recipients and veterans should be exempted from the automatic cuts because they are on a small fixed income. Well, we have a lot of Federal and military retirees and SBP recipients in the same boat—and they shouldn't be discriminated against. I contend that it is unfair to exempt Social Security recipients and veterans compensation and benefits from the Gramm-Rudman measure when Federal military and civilian retirees and SBP recipients must face reductions. Military retirees are veterans, too, and deserve the same COLA other veterans receive.

I believe most retirees would have accepted the COLA cut, if everybody got cut. While I would prefer a total restoration of the promised 3.1 percent COLA for fiscal year 1986, and plan to support any legislation that would do so, I believe my bill is a realistic alternative, both politically and fiscally.

The \$12,000 exemption point would provide equitable protection for military and civil service retirees and the Survivor Benefit Program recipients. This would include 68 percent of the military retirees, 52 percent of the civil service retirees, and 100 percent of the SBP recipients.

To help put this in better perspective, let me share some cogent facts. Of the nearly 20 million units—couples and singles—receiving Social Security, 99 percent in ages 62 to 64 and 94 percent over age 65 receive less than \$12,000 a year. A couple receives an average annual income of \$9,500 and a single person, \$5,200. The veteran averages about \$3,600 with about 90 percent receiving less than \$12,000.

I urge my colleagues to support this bill.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Pennsylvania [Mr. COUGHLIN] is recognized for 5 minutes.

[Mr. COUGHLIN addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

99TH CONGRESS
2D SESSION

H. R. 4017

To amend the Balanced Budget and Emergency Deficit Control Act of 1985 to except from the definition of automatic spending increase those portions of certain Federal retirement and disability programs relating to lower pay categories.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 21, 1986

Mr. HUTTO (for himself and Mr. PARRIS) introduced the following bill; which was referred to the Committee on Government Operations

A BILL

To amend the Balanced Budget and Emergency Deficit Control Act of 1985 to except from the definition of automatic spending increase those portions of certain Federal retirement and disability programs relating to lower pay categories.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. AUTOMATIC SPENDING INCREASES.**

4 Section 257 of the Balanced Budget and Emergency
5 Deficit Control Act of 1985 is amended—

6 (1) in paragraph (1)(A) by inserting “except as
7 provided in paragraph (9),” before “increases”; and

1 (2) by inserting at the end thereof the following
2 new paragraph:

3 “(9)(A) For fiscal year 1986, increases in budget
4 outlays due to changes in indexes in the Federal pro-
5 grams referred to in paragraph (10A) with respect to
6 the first \$12,000 of each participant's benefits under
7 any such program shall not be treated as an 'automatic
8 spending increase' for purposes of this title.

9 “(B)(i) For fiscal years 1987 through 1991, in-
10 creases in budget outlays due to changes in indexes in
11 the Federal programs referred to in paragraph (10A)
12 with respect to an amount equal to the first \$12,000 of
13 each participant's benefits under any such program, as
14 increased by the percent change in the price index for
15 the base quarter of such year over the price index for
16 the base quarter of the preceding year (adjusted to the
17 nearest 1/10 of 1 percent), shall not be treated as an
18 'automatic spending increase' for purposes of this title.

19 “(ii) As used in this subparagraph—

20 “(I) the term 'base quarter', as used with re-
21 spect to a year, means the calendar quarter
22 ending on June 30 of such year; and

23 “(II) the term 'price index' means the Con-
24 sumer Price Index (all items—United States city

1 average) published monthly by the Bureau of
2 Labor Statistics.”.

3 SEC. 2. EXEMPTIONS.

4 Section 255 of the Balanced Budget and Emergency
5 Deficit Control Act of 1985 is amended by inserting at the
6 end thereof the following new subsection:

7 “(i) Increases in that portion of benefits payable under
8 Federal programs referred to in section 257(1)(A) to the
9 extent covered by section 257(9) shall not be considered
10 ‘automatic spending increases’ for purposes of this title; and
11 no reduction in any such increase or in any of the benefits
12 involved shall be made under any order issued under this
13 part.”.

○